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LISTING STATEMENT No. 2420

LISTED DECEMBER 23, 1969
2,670,000 Shares without nominal or par value, of which 100,000 Shares are subject to issuance.
Stock Symbol "WEE".
Post Section 9.6.
Dial Quotation No. 2337.

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

WESTERN ELECTRONICS & ENGINEERING LTD.

Incorporated under the Companies Act of the Province of Alberta
by Memorandum of Association Dated February 21, 1949.

CAPITALIZATION AS AT NOVEMBER 12th, 1969

SHARE CAPITAL	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
Shares without Nominal or Par value, of which 100,000 are subject to Issuance under Stock Options	5,000,000	2,570,000	2,670,000
FUNDED DEBT			
Northern Geophysical Ltd. 8% Debenture	48,000	48,000	Nil
LONG TERM DEBT			
Western Electronics & Engineering Ltd.			
Oil and Gas Production Loan		165,000	Nil
Chattel Mortgage	\$ 704,000	\$ 204,000	Nil
Promissory Notes	\$ 500,000	\$ 500,000	Nil
Northern Geophysical Ltd.			
Chattel Mortgages	\$ 522,000	\$ 522,000	Nil

1. APPLICATION

WESTERN ELECTRONICS & ENGINEERING LTD. (hereinafter called the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 2,670,000 shares without nominal or par value in the Capital stock of the Company, of which 2,570,000 have been issued and are outstanding as fully paid and non-assessable.

The remaining 100,000 shares included in this application have been reserved as follows:
Employees' stock options at \$5.00 per share expiring October 31, 1974.

2. HISTORY

WESTERN ELECTRONICS & ENGINEERING LTD. (the Company) was incorporated on February 21, 1949, by Memorandum of Association under the Companies Act (Alberta) as a private company. The Corporate name was changed from Stewart Drilling Co. Ltd. to Jennings Drilling Company, Ltd. by certificate of the Registrar of Companies, dated November 27, 1961, and the corporate name was further changed from Jennings Drilling Company, Ltd. to Western Electronics & Engineering Ltd. by certificate of the Registrar of Companies dated June 13, 1969.

3. NATURE OF BUSINESS

The Company offers the following services to the Oil and gas industry: (1) the manufacture and installation of specialized electronic automation equipment for use in field production and pipeline operations; (2) the installation of seismic digital recording equipment and seismic exploration; (3) heavy construction equipment and earth moving services; (4) oil and gas well drilling. The Company, to the extent that its surplus funds permit, will engage in the acquisition, exploration and development of oil and gas properties on its own account.

Reference is made to the attached prospectus at pages 3 and 4.

On October 22, 1969, the Company acquired, effective July 31, 1969, all the outstanding shares of Northern Geophysical Ltd., an Alberta Company engaged in the business of seismic exploration.

4.

INCORPORATION

The Company was incorporated on February 21, 1949, by Memorandum of Association under The Companies Act (Alberta) as a private company under the name Stewart Drilling Co. Limited. The principal and head office of the Company is located at Suite 404, 736 - 8th Avenue S.W., Calgary 2, Alberta.

Reference is made to the attached prospectus at page 3.

5.

SHARE ISSUES DURING PAST TEN YEARS

DATE OF ISSUE	NO. OF SHARES ISSUED	AMOUNT REALIZED PER SHARE	TOTAL AMOUNT REALIZED	PURPOSE OF ISSUE
May 28, 1969	500,000	See Note	\$ 338,953	Acquisition of assets and undertaking of Western Electronics Systems Ltd.
May 29, 1969	560,000	See Note	\$ 106	Acquisition of issued share capital of Bain Bros. Construction Ltd., and Alberta Paving & Construction Ltd.
July 16, 1969	400,000	\$5	\$2,000,000	Public offering
October 22, 1969	550,000	\$4.20	\$2,310,000	Acquisition of issued share capital of Northern Geophysical Ltd.

NOTE: The acquisitions of Western Electronic Systems Ltd. and Bain Bros. Const. Ltd. were treated on a pooling of interests basis. Reference is made to the attached prospectus at Pages 15 and 16.

6.

STOCK PROVISIONS AND VOTING POWERS

Each share carries the right to one vote at all meetings of the shareholders of the Company and ranks equally with the other shares with respect to rights to dividends and on liquidation or distribution.

7.

DIVIDEND RECORD

The Company has not paid any dividend on its shares.

8.

RECORD OF PROPERTIES

The Company has working interests in producing oil wells in the Daly, Routledge, and Virden-Roslea fields in Alberta, and a working interest in a shut-in gas well in the Minburn area of Alberta.

McDaniel Consultants (1965) Ltd. has estimated the total net revenue to be derived from these proven oil and gas reserves to be \$370,700 and the present worth value of such reserves discounted at a six percent semi-annual rate to be \$291,500 and the present worth value of such reserves discounted at a nine percent semi-annual rate to be \$240,600.

The Company also has certain working interests in non-producing oil and gas properties in Alberta, British Columbia, Manitoba, and the Northwest Territories.

Reference is made to the attached prospectus at page 4.

9.

SUBSIDIARY COMPANIES

The following companies, each of which was incorporated under the laws of the Province of Alberta by Memorandum of Association, are subsidiaries of the Company:

COMPANY	DATE OF INCORPORATION	SHARE CAPITAL		PERCENTAGE OWNED
		AUTHORIZED	ISSUED	
Bain Bros. Const. Ltd. (Bain Bros.)	June 20, 1953	20,000 common shares of \$1 p.v.	6 shares	100%
Alberta Paving & Construction Ltd. (Alberta)	April 17, 1958	20,000 common shares n.p.v.	100 shares	100%
Northern Geophysical Ltd. (Northern)	October 6, 1966	1,500 pref. redeemable (p.v. \$10) 1,000 Class A voting common (n.p.v.) 4,000 Class B non-voting common (n.p.v.)	Nil 10 Class A 3,999 Class B	 100% 100%
Western Electronic Systems Co. Ltd. (Western)	January 8, 1969	20,000 common shares (n.p.v.)	2 shares	100%
Cal-Can Ventures Ltd. (Cal-Can)	August 25, 1967	20,000 common shares (n.p.v.)	2 shares	100%
Jennings International Drilling Ltd. (Jennings)	September 29, 1965	20,000 common shares (n.p.v.)	20,000 shares	100%

Cal-Can is a wholly owned subsidiary of Northern. Western, Cal-Can, and Jennings are inactive and have no assets or liabilities.

Reference is made to the attached prospectus at pages 3 and 6.

10.

FUNDED DEBT

DESCRIPTION OF ISSUE	AGGREGATE AMOUNT AUTHORIZED	PRINCIPAL AMOUNT OUTSTANDING	MATURITY DATE	INTEREST DATES
Funded Debt				
Northern Geophysical Ltd.				
8% Debenture	\$ 48,000	\$ 48,000	Note 2.	
Long-Term Debt				
Western Electronics & Engineering Ltd.				
Oil and Gas Production Loan	\$ 165,000	\$ 165,000	Note 3.	
Chattel Mortgages	\$ 704,000	\$ 204,000	Note 1.	
Promissory Notes	\$ 500,000	\$ 500,000	(payable in 5 equal instalments of \$100,000 on April 1 in each of the years 1970 to 1974, with interest at 8% on the balance of principal unpaid after October 15, 1972.	
Northern Geophysical Ltd.				
Chattel Mortgages	\$ 522,000	\$ 522,000	Note 4.	
	<u>\$1,939,000</u>	<u>\$1,439,000</u>		

- Note 1. Northern Geophysical's 8% Debenture is secured by a floating charge on all the assets and undertaking, both present and future of that company. The debenture is repayable on demand with interest at 8%.
- Note 2. The Company's bank loans are secured by an assignment of the Company's interest in certain oil and gas properties pursuant to Section 82 of the Bank Act and an assignment of book debts. The production loan is repayable by monthly instalments of \$3,300, although subject to call on demand.
- Note 3. The Company's chattel mortgages are secured on certain drilling equipment and are payable in 30 monthly instalments of \$6,814 together with interest at 8%. In addition the Company has a line of credit up to a maximum of \$500,000 payable on demand and subject to interest at 8% on any amounts from time to time outstanding from the last day of the second month from the creation of such advance. Any amount outstanding under this line of credit would also be secured by a chattel mortgage on drilling rigs of the Company.
- Note 4. Northern Geophysical Ltd.'s chattel mortgages are secured on certain geophysical and automotive equipment and are payable in varying terms not exceeding 2 years from the date of purchase of the equipment.

11.

OPTIONS, ETC.

The Company has set up an employee stock option scheme for key employees to purchase a total of 100,000 shares at \$5 per share. These options will expire on October 31, 1974, and may be exercised at any time prior to that date, provided the employee is then in the employment of the Company.

At the request of the Company, the Underwriter referred to in the prospectus surrendered for cancellation the option granted to the Underwriter and referred to at page 9 of the attached prospectus.

12.

LISTING ON OTHER STOCK EXCHANGES

There are no securities of the Company listed on any other Exchange.

13.

STATUS UNDER SECURITIES ACT

The offering of 600,000 shares without par value of the Company was qualified for sale to the public in the following provinces on the following dates:

Alberta	July 25, 1969
Saskatchewan	July 25, 1969
Manitoba	July 28, 1969

14.

FISCAL YEAR

The fiscal year of the Company ends on December 31st in each year.

15.

ANNUAL MEETINGS

The Articles of Association of the Company provide that annual general meetings of the Company shall be held once in each calendar year and not more than sixteen months after the holding of the last annual general meeting. The last annual general meeting was held on June 12, 1969.

16.

HEAD AND OTHER OFFICES

The Head Office is located at Suite 404, 736 - 8th Avenue, S.W., Calgary 2, Alberta, Canada. The Company has a divisional office at 4331 Manhattan Road, S.E., Calgary 24, Alberta.

17.

TRANSFER AGENT

The Transfer Agent of the Company is: Montreal Trust Company at its principal offices in Winnipeg, Calgary, Regina, Toronto and Vancouver.

18.

TRANSFER FEE

No fee is charged on stock transfers other than the customary Government stock transfer taxes.

19.

REGISTRAR

The Registrar of the Company is: Montreal Trust Company, at its principal offices in Winnipeg, Calgary, Regina, Toronto, and Vancouver.

20.

AUDITORS

The auditors of the Company are: Messrs. Riddell, Stead and Co., 407 - 8th Avenue S.W., Calgary, Alberta.

21.

OFFICERS

The officers of the Company are:

<u>NAME</u>	<u>OFFICE</u>	<u>HOME ADDRESS</u>
Kendall Jennings	Chairman of the Board	1324 Craig Road Calgary 9, Alberta
Alan Duane Waldie	President	1220 Beverly Boulevard S.W. Calgary 9, Alberta
Dale Edward Fickinger	Executive Vice-President	1304 Craig Road Calgary 9, Alberta
Delmer Bain	Vice-President	6211 Grandview Drive Edmonton 4, Alberta
Jack Frederick Trotter	Vice-President	72 Glenpatrick Drive S.W. Calgary 9, Alberta
Patrick Joseph McCaffery	Secretary	1117 Elbow Towers 105 - 26th Avenue S.W. Calgary 3, Alberta
Donald Charles Boutwell	Vice-President	6724 Lachine Crescent S.W. Calgary 10, Alberta
David Brady Nicholson	Vice-President (Finance) Treasurer and Assistant Secretary	304 Wildwood Drive S.W. Calgary 5, Alberta

22.

DIRECTORS

<u>NAME</u>	<u>HOME ADDRESS</u>
Kendall Jennings	1324 Craig Road, Calgary 9, Alberta
Alan Duane Waldie	1220 Beverly Boulevard S.W., Calgary 9, Alberta
Dale Edward Fickinger	1304 Craig Road, Calgary 9, Alberta
Delmer Bain	6211 Grandview Drive, Edmonton 4, Alberta
Patrick Joseph McCaffery	1117 Elbow Towers, 105 - 26th Avenue S.W., Calgary 3, Alberta
Jack Frederick Trotter	72 Glenpatrick Drive S.W., Calgary 8, Alberta
Donald Charles Boutwell	6724 Lachine Crescent S.W., Calgary 10, Alberta

CERTIFICATE

Pursuant to a resolution duly passed by its Board of Directors, Western Electronics & Engineering Ltd., hereby applies for listing of the above mentioned securities on The Toronto Stock Exchange and the under-
signed officers thereof hereby certify that the statements and representations made in this application and in
the documents submitted in support thereof are true and correct.



Per "KENDALL JENNINGS"
Chairman

Per "D. B. NICHOLSON"
Treasurer

Number	6 Holders of	1 — 24 share lots	Shares
37	" "	25 — 99 " "	120
171	" "	100 — 199 " "	1,731
103	" "	200 — 299 " "	17,275
21	" "	300 — 399 " "	21,000
13	" "	400 — 499 " "	6,300
64	" "	500 — 999 " "	5,200
62	" "	1000 — up " "	34,800
			2,483,574
477	Shareholders	Total shares	2,570,000

FINANCIAL STATEMENT

WESTERN ELECTRONICS & ENGINEERING LTD.

AND SUBSIDIARY COMPANIES (Note 1)

CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 1969

ASSETS

CURRENT ASSETS

Cash	\$1,053,741
Accounts receivable	1,735,840
Inventories and work in progress, at lower of cost and net realizable value	811,871
Prepaid expenses and deposits	170,827
	<u>\$3,772,279</u>

FIXED ASSETS at cost less accumulated depreciation and depletion (Note 2) 2,701,676

EXCESS OF COST OF PURCHASE OF SUBSIDIARY COMPANY
OVER ITS NET ASSET VALUE 2,147,372

OTHER ASSETS 30,884

\$8,652,211

LIABILITIES

CURRENT LIABILITIES

Bank indebtedness	\$ 109,000
Accounts payable and accrued	1,242,579
Current maturities on long-term debt	622,469
Income taxes	567,074
	<u>\$2,541,122</u>

LONG-TERM DEBT less current maturities (Note 3) 897,905

ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE
YEARS 77,540

\$3,516,567

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 4)

Authorized: 5,000,000 common shares of no par value	
Issued: 2,570,000 common shares	\$4,659,059

RETAINED EARNINGS 476,585

\$5,135,644

\$8,652,211

Signed on behalf of the Board:

"KENDALL JENNINGS", Director

"D. E. FICKINGER", Director

The accompanying notes are an integral part of this financial statement.

WESTERN ELECTRONICS & ENGINEERING LTD.

AND SUBSIDIARY COMPANIES (Note 1)

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1969

REVENUE

Electronics manufacturing, sales and commissions	....	....	....	....	\$ 972,323
Contract drilling	....	....	....	....	1,691,549
Contract geophysical	....	....	....	....	635,386
Earthmoving and bulldozing	....	....	....	....	952,715
Petroleum and natural gas	....	....	....	....	41,811
Miscellaneous	....	....	....	....	61,117
					<u>\$4,354,901</u>

EXPENSES

Sales, manufacturing and direct contract costs	....	....	....	....	\$3,228,409	
Petroleum and natural gas production expenses	....	....	....	....	28,872	
General and administrative	....	....	....	....	481,343	
Research and development	....	....	....	....	10,034	
Depreciation	....	....	....	....	170,493	
Depletion	....	....	....	....	6,300	
Interest	....	....	....	....	58,320	
Provision for income taxes	....	....	....	....	187,105	4,170,876
Earnings for the period before extraordinary items	....	....	....	....		<u>184,025</u>
EXTRAORDINARY ITEMS net of tax effect						
Share issue expenses	....	....	....	....		40,000
Earnings for the period	....	....	....	....		<u>144,025</u>
Retained Earnings at the beginning of the period	....	....	....	....		<u>332,560</u>
RETAINED EARNINGS AT THE END OF THE PERIOD	....	....				<u>\$ 476,585</u>

The accompanying notes are an integral part of this financial statement.

WESTERN ELECTRONICS & ENGINEERING LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT SEPTEMBER 30, 1969

NOTE 1—SUBSIDIARY COMPANIES

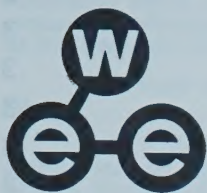
The consolidated financial statements include the financial statements of the following subsidiaries:

- Western Electronic Systems Ltd., (Western), Bain Bros. Const. Ltd. (Bain), and Alberta Paving & Construction Ltd. (Alberta Paving), for the nine-month period ended September 30, 1969. The assets and undertakings of Western and all the outstanding shares of Bain and Alberta Paving were acquired under the terms of agreements dated May 28th and May 29th, 1969. These transactions were accounted for on the pooling of interests basis.
- Northern Geophysical Ltd. (Northern) for the two-month period ended September 30, 1969. Under the terms of an agreement dated October 22, 1969, the Company acquired, effective July 31, 1969, all the outstanding shares of Northern. This transaction was accounted for as a purchase.

A copy of this prospectus has been filed with the Registrar of Companies of the Province of Alberta.

No Securities Commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

NEW AND OUTSTANDING ISSUE



WESTERN ELECTRONICS & ENGINEERING LTD.

(Incorporated under the laws of the Province of Alberta)

600,000 Shares

(without nominal or par value)

Of the 600,000 shares offered by this prospectus, 500,000 shares are authorized but unissued shares being acquired from the Company and 100,000 shares are issued and outstanding shares being acquired from the Selling Shareholders. Of the said 500,000 shares the Underwriter has agreed to purchase 400,000 shares and the Company has agreed to grant the Underwriter an option to purchase up to an additional 100,000 shares. Reference is made to the heading Plan of Distribution on page 5. The net proceeds from the sale of the 100,000 shares being acquired from the Selling Shareholders will be received by the latter and none of the proceeds thereof will be received by the Company. Reference is made to the heading Principal and Selling Shareholders on page 8 for information relating to the Selling Shareholders.

THESE SHARES ARE SPECULATIVE SECURITIES

There is at present no established market for the shares offered and the price for this offering was determined by negotiation between the Company, the Selling Shareholders and the Underwriter.

Before the completion of this financing and after giving effect to the transactions referred to under the heading Interest of Management and Others in Material Transactions on page 7 the book value of the outstanding shares of the Company was \$0.56 per share. Upon the completion of this financing the shares of the Company will have a book value of \$1.42 per share. Purchasers are suffering an immediate dilution in the book value of their shares.

Price: \$5.40 per share

	Number of Shares Firmly Underwritten	Price to Public	Proceeds to Underwriter	Proceeds to Company*	Proceeds to Selling Shareholders
Per Share		5.40	\$.40	\$5.	\$5.
Total	500,000	\$2,700,000.	\$200,000.	\$2,000,000.	\$500,000.
* Before deduction of estimated expenses of \$40,000.					

Date Option to be Exercised	Number of Shares Under Option	Price to Company per Share	Proceeds to Company
90 days	100,000	\$5.	\$500,000.

We, as principals, offer these shares subject to prior sale if, as and when issued by the Company and transferred by the Selling Shareholders and accepted by us, subject to the approval of all legal matters on behalf of the Company and the Selling Shareholders by Messrs. Saucier, Jones, Peacock, Black, Gain, Stratton & Laycraft of Calgary, and on our behalf by Messrs. Borden, Elliot, Kelley & Palmer of Toronto, who shall be entitled to rely upon the opinion of the said solicitors for the Company and the Selling Shareholders.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that definitive share certificates will be available for delivery on or about July 31, 1969.

BONGARD, LESLIE & CO. LTD.

Calgary - Dawson Creek - Edmonton - Guelph - Halifax - Hamilton - London - Moncton - Montreal - Ottawa
Port Arthur - Saint John - Sydney - Vancouver - Victoria - Windsor - Winnipeg

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THE COMPANY

WESTERN ELECTRONICS & ENGINEERING LTD. (the Company) was incorporated on February 21, 1949 by Memorandum of Association under The Companies Act (Alberta) as a private company. The corporate name was changed from Stewart Drilling Co. Ltd. to Jennings Drilling Company, Ltd. by certificate of the Registrar of Companies dated November 27, 1961 and the corporate name was further changed from Jennings Drilling Company, Ltd. to Western Electronics & Engineering Ltd. by certificate of the Registrar of Companies dated June 13, 1969. On June 13, 1969 the Company converted to a public company, its objects were enlarged to provide for the contemplated expansion and diversification of the Company's business and its share capital was reorganized so as to (i) convert its authorized share capital to shares without nominal or par value, (ii) subdivide its authorized shares, and (iii) increase its authorized share capital to 5,000,000 shares without nominal or par value, all as confirmed by certificates of the Registrar of Companies.

The head and principal office of the Company is located at Suite 404, 736 - 8th Avenue S.W., Calgary 2, Alberta.

With a view to diversifying its interests and at the same time integrating its operations, the Company has entered into an agreement for the acquisition of all the issued shares of Bain Bros. Const. Ltd. (Bain Bros.) and Alberta Paving & Construction Ltd. (Alberta Paving) whereby those companies will become wholly owned subsidiaries of the Company, effective concurrently with the closing of the sale of the shares offered hereby. Alberta Paving is an inactive company owned by the shareholders of Bain Bros. In addition the Company, by agreement dated May 28, 1969, purchased as a going concern, and effective April 1, 1969, the business of Western Electronic Systems Ltd. (Western). Included in the assets of Western was an inactive wholly-owned subsidiary, Western Electronic Distributors Ltd. See the heading Interest of Management and Others in Material Transactions on page 7.

BUSINESS OF THE COMPANY

The Company, as a result of the transactions referred to under the heading Interest of Management and Others in Material Transactions on page 7 and of its recent re-organization into Divisions will offer the following services to the oil and gas industry; (1) the manufacture and installation of specialized electronic automation equipment for use in field production and pipeline operations; (2) the installation of seismic digital recording equipment and seismic exploration; (3) heavy construction equipment and earth moving services; (4) oil and gas well drilling. The Company, to the extent that its surplus funds permit, will engage in the acquisition, exploration and development of oil and gas properties on its own account.

Electronics Division

Effective April 1, 1969, the Company purchased as a going concern the entire business of Western which was incorporated in 1965 to explore and develop the potential markets that existed in Western Canada, and more particularly Alberta, in the rapidly expanding field of electronic techniques as applied to various types of industry.

In the past Western has developed a research program for the production of and has manufactured, distributed and installed, a comprehensive range of electronic products used for data gathering, two-way FM radio communication systems, digital seismic field recording equipment, closed circuit television, video and audio magnetic tape recording, sound systems and industrial electronic security systems. While these activities will be continued by the Company the main thrust of its efforts in the Electronics Division will be directed towards the development and manufacture of electronic products for use in the oil and gas industry as outlined below.

Automation and Control

With the increasing activity in the exploration for and production of oil and gas in Canada, there is a demand for automation, control and the gathering of statistical and quantitative data by electronic means. To meet this demand, the Company is presently engaged in a research, development and marketing program at its Calgary Plant.

One significant development recently completed by the Company is its own integrated circuit Supervisory Control System for use in the automatic control of production facilities in oil and gas fields, pipelines, plants and electricity generating and transmission systems. This System is also able to encode data for transmission by wire or radio and to serve as an interface (converts information received into form compatible to computers) between end devices in an oil and gas field and process computers located elsewhere. Other proprietary designs under production by the Company are annunciators (remote reading panels displaying status of control points in automated systems) and alarm systems. The Company will manufacture under license from Halliburton Company, on a royalty basis, a line of special electronic products including flow meters and net oil analyzers to provide "Total System Requirements" to the oil and gas industry.

Plant

For its Electronics Division the Company has a lease of a 10,000 square foot building located at Calgary which with options to renew will terminate June 30, 1975 and at this plant offers a totally integrated facility for research on design and manufacture of electronic products and other related equipment.

Seismic Exploration Division

The Company proposes to organize a Seismic Division capable of furnishing a complete seismic service on a contract basis to the oil and gas industry throughout Canada. This will involve the engaging of additional staff and the purchase of substantial amounts of instruments and equipment.

Construction Division

Bain Bros., to be one of the wholly-owned subsidiaries of the Company, carries on a construction business in the Western Provinces and in Northern Canada. In relation to the oil and gas industry it engages in line clearance and road building for seismic operations and in construction of access roads and well-sites for oil and gas wells. In addition, it participates in the construction of roads, dams and other projects, both public and private. Bain Bros. has a full time staff of 15, including personnel qualified in construction, engineering, estimating and design, the majority of whom have been in its employment for 10 years or more. During the construction season the number of its employees may increase by as many as 45.

Drilling Division

The Company commenced its operations in 1949 and has since then been primarily engaged in the business of oil and gas well drilling on a contract basis in Western Canada. There are 125 employees of the Drilling Division of the Company which includes a management group with technical, geological and production experience ranging over a period of 15 to 25 years.

Exploration and Production Division

The Company has actively engaged, both on its own account and on a joint venture basis with others, in exploring for and producing oil and natural gas in Western Canada. In addition, the Company manages oil and gas exploration ventures for a number of U.S. individuals and corporations, receiving a management fee and/or an interest in the ventures undertaken. The Company plans increased activity in the acquisition, evaluation, development and marketing of oil and gas properties.

Producing Properties

The Company has working interests in producing oil wells in the Daly, Routledge and Virden-Roselea fields in Manitoba, the Gull Lake field in Saskatchewan and the Princess field in Alberta and a working interest in a shut-in gas well in the Minburn area of Alberta.

These are summarized below:

PRODUCING OIL WELLS	TYPE OF OWNERSHIP	GROSS OR TOTAL WELLS (1)	COMPANY INTEREST EXPRESSED AS NET WELLS (2)
Daly, Manitoba	Leasehold	1	0.350
Routledge, Manitoba	Leasehold	4	3.000
Princess, Alberta	Leasehold	9	1.125
Gull Lake, Saskatchewan	Leasehold	1	0.250
SHUT-IN GAS WELL			
Minburn, Alberta	Leasehold	1	0.375

- (1) "Gross or Total Wells" represent all wells in respect of which the Company has working interests.
- (2) "Net Wells" represent the aggregate of the working interest of the Company in the Gross or Total Wells.

The Company also has a 1.2961% interest in the Virden-Roselea Unit No. 1 and a 2.0652% interest in the Virden-Roselea Unit No. 3, both in the Province of Manitoba.

McDaniel Consultants (1965) Ltd. has estimated the total net revenue to be derived from these proven oil and gas reserves to be \$370,700 and the present worth value of such reserves discounted at a six percent semi-annual rate to be \$291,500 and the present worth value of such reserves discounted at a nine percent semi-annual rate to be \$240,600. The foregoing present worth values were calculated on the basis of the oil and gas reserve having a nineteen year life. Although the present worth estimate of the future revenues reflects a reasonable value to the Company as a going concern for its proven and probable reserves it is considered that the fair market value of such reserves if the properties were sold would probably be a lower amount.

Non-Producing Properties

The Company has certain working interests in oil and gas properties in Alberta, British Columbia, Manitoba and the Northwest Territories. These oil and gas interests are located in the following areas:

GEOGRAPHICAL AREA	TYPE OF OWNERSHIP	GROSS ACRES (1)	COMPANY INTEREST EXPRESSED AS NET ACRES (2)
ALBERTA			
Nevis	Leasehold	200	50
Youngstown	Leasehold	1,600	160
Minburn	Leasehold	11,840	2,120
Horsefly	Leasehold	85	20
Red Coulee	Leasehold	320	25
BRITISH COLUMBIA			
Elleh	Leasehold	6,668	167
MANITOBA			
Virden-Daly	Leasehold	280	70
NORTHWEST TERRITORIES			
Ellesmere Island, South of Cornwallis Island and Viscount Melville Sound	Permit	2,018,775	1,009,382

- (1) "Gross Acres" represent all acres in respect of which the Company has working interests.
- (2) "Net Acres" represent the aggregate of the working interests of the Company in the Gross Acres.

The Company's interest in the Northwest Territories referred to above comprises a 50% working interest in 40 Permits, each dated May 27, 1969 issued by Her Majesty the Queen in the right of Canada. The Company has paid the full deposit for such Permits and its joint participant is obligated to perform the work necessary to satisfy the commitments and, on completion of such work, the deposit paid will be refunded to the Company. All other operations on such Permits are to be carried on by the Company and its joint participant, each as to a 50% interest therein.

PLAN OF DISTRIBUTION

The shares offered by this prospectus are being purchased by Bongard, Leslie & Co. Ltd. (the "Underwriter"):

- (i) as to 400,000 shares, from the Company at a price of \$5.00 per share pursuant to an agreement dated July 16, 1969 between the Underwriter and the Company, and
- (ii) as to 100,000 shares, from the Selling Shareholders at a price of \$5.00 per share pursuant to an agreement dated July 16, 1969, between the Underwriter and the Selling Shareholders,

in each case upon payment in cash against delivery on or about July 31, 1969 and upon and subject to the terms and conditions set out in the said agreements and compliance with the necessary legal requirements. Under the said agreements the Underwriter is obliged to take up and pay for all of the shares offered by this prospectus except for the 100,000 shares which the Underwriter will have the option to purchase, if any such shares are purchased. In addition, pursuant to the aforementioned underwriting agreement between the Company and the Underwriter, the Company has agreed to grant an option to the Underwriter to purchase up to an additional 100,000 shares at a price of \$5.00 per share, which option may be exercised at any time on or before 90 days from the date of this prospectus. Reference is made to the heading Principal and Selling Shareholders on page 8.

The principal and the Selling Shareholders and certain other Shareholders have agreed with the Underwriter that they will not, for a period of 90 days following the date of purchase by the Underwriter, sell or otherwise dispose of any shares held by them at the time of such purchase, without the prior written consent of the Underwriter.

USE OF PROCEEDS

The estimated net proceeds from the sale of the 400,000 Shares being issued by the Company and being purchased by the Underwriter, amounting to approximately \$1,960,000 will be used as follows:

1. To pay the following indebtedness:

(a) CURRENT SECURED BANK LOAN	\$ 501,534
6¼% PROMISSORY NOTE	\$ 111,631
(b) OBLIGATIONS OF WESTERN ELECTRONIC SYSTEMS LTD.	
6% Debenture Series "A"	\$ 100,000
6% Debenture Series "B"	\$ 32,233
	\$ 745,398

2. To make the following capital expenditures in the approximate amounts set out below:

(a) For the purchase of 3 track-type tractors, parts and other equipment	\$ 300,000
(b) For the purchase and installation of additional manufacturing equipment and machine tools	\$ 15,000
(c) For research on and development of prototypes and expenses for oil automation program	\$ 75,000
(d) For organization of seismic division and purchase of seismic instruments and equipment	\$ 500,000
(e) For conversion of one rig for deep drilling capability	\$ 100,000
	\$ 990,000

3. For additional working capital and for future acquisitions of proven or semi-proven oil and gas reserves or interests therein and interests in exploratory properties

	\$ 224,602
	\$1,960,000

Any proceeds realized from the Sale of Shares to the Underwriter, pursuant to the option to be granted to the Underwriter, will be used for additional working capital.

CAPITALIZATION

DESIGNATION OF SECURITIES		AMOUNT AUTHORIZED OR TO BE AUTHORIZED	AMOUNT OUTSTANDING ON MARCH 31, 1969	AMOUNT OUTSTANDING ON MAY 15, 1969	AMOUNT OUTSTANDING AS OF MAY 15, 1969, AFTER GIVING EFFECT TO THIS FINANCING
CURRENT SECURED BANK LOANS	(1)		\$ 501,534	\$ 342,356	—
LONG TERM DEBT					
Oil and Gas Production Loan	(1)		\$ 188,500	\$ 185,200	\$ 185,200
6¼% Promissory Note	(2)	\$ 405,806	\$ 111,631	\$ 111,631	—
Chattel Mortgage	(3)	\$ 745,291	\$ 245,291	\$ 245,291	\$ 245,291
		<u>\$1,151,097</u>	<u>\$1,046,956</u>	<u>\$ 884,478</u>	<u>\$ 430,491</u>
OBLIGATIONS OF WESTERN ELECTRONIC SYSTEMS LTD.	(4)				
6% Debenture Series "A"		\$ 100,000	\$ 100,000	\$ 100,000	—
6% Debenture Series "B"		\$ 64,465	\$ 32,233	\$ 32,233	—
		<u>\$1,315,562</u>	<u>\$1,179,189</u>	<u>\$1,016,711</u>	<u>\$ 430,491</u>
CAPITAL STOCK					
Shares without nominal or par value	(5)	5,000,000 (\$5,000,000)	560,000 (\$ 10,000)	560,000 (\$ 10,000)	2,020,000 (\$2,349,059)

- (1) The Company's bank loans are secured by an assignment of the Company's interest in certain oil and gas properties pursuant to Section 82 of the Bank Act and an assignment of book debts. The production loan is repayable by monthly installments of \$3,300, although subject to call on demand.
- (2) 6¼% Promissory Note — secured loan payable in monthly installments of \$7,391 U.S. funds including interest, maturing May 5, 1970, and secured by chattel mortgage on certain drilling rigs of the Company.
- (3) Relates to assumption of liability of Jennings International Drilling Ltd. arising out of the purchase of certain drilling equipment in the amount of \$245,291 payable in 36 monthly installments of \$6,814 together with interest at 8% commencing May 20, 1969 and to a line of credit for the purchase of equipment up to a maximum of \$500,000 payable on demand and bearing interest at 8% on any amounts from time to time outstanding from the last day of the second month following the creation of each credit advance, both of which amounts being secured by a chattel mortgage on drilling rigs of the Company.
- (4) Upon acquiring all the assets and undertaking of Western the Company agrees to assume all its obligations and liabilities. Reference is made to the heading Interest of Management and Others in Material Transactions on page 7 and to Note 7 to the financial statements on page 17.
- (5) After giving effect on a pro-forma basis to the capital re-organization whereby 2 issued shares were surrendered to the Company by way of gift, the issued and unissued shares were converted and split on a 56 for 1 basis and the number of authorized shares was increased to 5,000,000 shares and after giving effect to the transactions whereby the Company acquired all of the assets and undertaking of Western and is to acquire all of the issued and outstanding shares of Bain Bros. and Alberta Paving. Reference is made to the heading Interest of Management and Others in Material Transactions on page 7.

THE SHARES

The Company has only one class of shares. The shares have no nominal or par value and the holders thereof are entitled to one vote at all meetings of the shareholders of the Company for each share held. Each share ranks equally with all other shares with respect to rights to dividends and on liquidation or distribution. After completion of this financing all of the issued and outstanding shares of the Company will be fully paid and non-assessable.

MANAGEMENT OF COMPANY

Directors and Officers

The names and home addresses of the directors and officers of the Company, the positions and offices held by each and their principal occupations within the five preceding years are as follows:

<u>Name and Home Address</u>	<u>Office</u>	<u>Principal Occupation</u>
Kendall Jennings, 1324 Craig Road, CALGARY 9, Alberta	Director and Chairman of the Board	Chairman of the Board and formerly President of the Company.
Alan Duane Waldie, 1220 Beverly Boulevard S.W., CALGARY 9, Alberta	Director, President and Treasurer	President of the Company and President of Western, formerly Vice-President and General Manager of Mandrel Industries Ltd., Calgary, Alberta.
Delmer Bain, 6211 Grandview Drive, EDMONTON, Alberta	Director and Vice-President	Vice-President of the Company and Vice-President of Bain Bros.
Patrick Joseph McCaffery, 1117 Elbow Towers, 105 - 26th Avenue S.W., CALGARY 3, Alberta	Director and Secretary	A partner in the firm of McCaffery, Snider & McCaffery, Barristers and Solicitors, Calgary, Alberta.
Donald Charles Boutwell, 6724 Lachine Crescent S.W., CALGARY 10, Alberta	Director and Vice-President	Vice-President and General Manager of the Company and Contracts Manager of the Company.

Management

Kendall Jennings, the Chairman of the Board, was from 1961 until May 1969 a Director and the President of the Company and prior to that time he was an officer and director of a drilling company and a production engineer for an independent oil company. He has since 1940 been actively associated with all phases of exploration drilling, production engineering and acquisition of oil and gas properties. Mr. Jennings is a graduate of Stephen F. Austin College, holding the degree of Bachelor of Science.

Alan D. Waldie, P.Eng., the President, is a graduate of Texas Agricultural & Mechanical University, holding the degree of Bachelor of Science in Electrical Engineering. From 1953 to 1965 he specialized in the design, development and sale of seismic instrumentation as chief engineer of McCollum Exploration Company, Houston, Texas, as general manager of Electro-Technical Labs Division of Mandrel Industries Inc., Houston, Texas, and as general manager of Mandrel Industries Ltd., Calgary, Alberta. He is the founder and President of Western.

Delmer Bain, a Vice-President, has been actively engaged in the heavy construction and earth-moving industry for over 30 years and in its application to the oil and gas industry for over 20 years. He has been Vice-President of Bain Bros. since January 14, 1966.

In order to provide for continuity of the management group, the Company has entered into 5-year employment and management contracts in usual form, ending June 30, 1974, with the senior operating officers of the Company, namely, Messrs. Jennings, Bain, Waldie and Boutwell. Reference is made to the heading Material Contracts on page 9.

Remuneration of Directors and Senior Officers

The amount of the aggregate direct remuneration paid by the Company and its consolidated subsidiaries to the directors and senior officers of the Company during the last fiscal year of the Company ended December 31, 1968, was \$132,085, and for the period January 1, 1969, to May 15, 1969, (after giving effect to the transactions referred to under the heading Interest of Management and Others in Material Transactions on page 7 was \$39,071. The estimated aggregate cost to the Company and its subsidiaries for the fiscal year ended December 31, 1968, of all pension or retirement benefits paid, or proposed to be paid, to its directors and senior officers, as a group, in the event of retirement at normal retirement age was \$6,000. Pursuant to a bonus plan discontinued by the Company on December 31, 1968, and for holiday pay to a retiring director, the aggregate amount of \$116,240 was payable on December 31, 1968, to directors and senior officer of the Company. This amount has since been paid.

Interest of Management and Others in Material Transactions

Pursuant to an agreement dated May 29, 1969, the Company agreed to purchase 6 shares of Bain Bros. and 100 shares of Alberta Paving, representing all the issued and outstanding shares of these Companies, from Leonard A. Bain, Kenneth H. Bain and Delmer Bain and as consideration therefor will issue 186,667 shares of the Company to each of Leonard A. Bain and Kenneth H. Bain and 186,666 shares of the Company to Delmer Bain, a Director and Vice-President of the Company, the delivery of such shares to take place concurrently with the sale of shares offered hereby. The agreement provides that the value of the net assets of Bain Bros. and Alberta Paving will be at least \$1,000,000 and that the value of the net assets of the Company, excluding any additions resulting from the purchase of the assets and undertaking of Western, will be at least \$1,000,000, with the fixed assets of all companies being evaluated by an independent appraiser.

Pursuant to an agreement dated May 28, 1969 and effective as of April 1, 1969, the Company purchased all the assets and undertaking of Western. The net assets of Western as shown on its audited balance sheet as at March 31, 1969 as adjusted to reflect certain subsequent transactions and as defined in the said agreement, amount to \$421,191. The purchase of all the assets and undertaking of Western is to be satisfied by the issuance to Western of 500,000 shares of the Company and the assumption of all liabilities of Western. Alan Duane Waldie, a director and President of the Company, and his wife own respectively 176,917 shares and 139,007 shares of Western, out of a total of 500,000 issued shares. Liquidation of Western is contemplated, in which event Mr. and Mrs. Waldie will receive their proportionate share of the shares of the Company issued to Western. Those of the assets of Western acquired since January 31, 1967 were purchased by Western for \$67,293 and were sold to the Company at cost less accumulated depreciation.

The acquisition of all the issued and outstanding shares of Bain Bros. and Alberta Paving, and of all the net assets and undertaking of Western, has been accounted for on the pooling of interests basis. On this basis the book value of assets and liabilities of the acquired businesses are carried forward in the accounts of the Company, their retained earnings are added to the retained earnings of the Company, and the carrying value of their capital stock accounts (\$106. for Bain Bros. and Alberta Paving, and \$338,953. for Western) are credited to the capital stock account of the Company on issuance of its shares in consideration for such acquisition.

Promoters

Kendall Jennings, Alan Duane Waldie, Western, Delmer Bain, Leonard A. Bain and Kenneth H. Bain may be regarded as promoters of the Company within the meaning of applicable securities legislation, as a result of their part in re-organizing the Company and negotiating the transactions pursuant to which the Company is to acquire all of the issued and outstanding shares of Bain Bros. and Alberta Paving and has acquired all of the assets and undertaking of Western. Of the 500,000 issued and outstanding shares of Western, Alan Duane Waldie and his wife own in the aggregate 315,924 shares which represent 63.2% of the said issued shares and outstanding shares. Reference is made to the heading Interest of Management and Others in Material Transactions on page 7.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth the number of shares of the Company owned of record or beneficially, directly or indirectly, by each person or company who owns more than ten percent of the issued shares of the Company at the date hereof, and has been prepared on a pro-forma basis on the assumption that the transactions involving the acquisition by the Company of the assets and undertaking of Western and the issued and outstanding shares of Bain Bros. and Alberta Paving have been completed and 500,000 shares issued to Western and 560,000 shares issued to the Selling Shareholders, Messrs. Leonard A. Bain, Delmar Bain and Kenneth H. Bain.

<u>Name and Address</u>	<u>Type of Ownership</u>	<u>Number of Shares Owned</u>	<u>Percentage of Class (before completion of financing) (1)</u>	<u>Number of Shares to be sold</u>	<u>Number of Shares to be retained</u>	<u>Percentage of Class (following completion of financing) (2)</u>
Kendall Jennings, Trustee, 1324 Craig Road, Calgary 9, Alberta	of record	560,000 (3)	34.56%	—	560,000	27.72%
Alan Joel Antweil, Hobbs, New Mexico, U.S.A.	beneficial only	280,000 (3)	17.28%	—	280,000	13.86%
Leonard A. Bain, 18 Westbrook Dr., Edmonton, Alberta	of record and beneficial	186,667	11.52%	33,333	153,334	7.59%
Kenneth H. Bain, 11732 - 83rd Ave., Edmonton, Alberta	of record and beneficial	186,667	11.52%	33,333	153,334	7.59%
Delmer Bain, 6211 Grandview Dr., Edmonton, Alberta	of record and beneficial	186,666	11.52%	33,334	153,332	7.59%
Western Electronic Systems Ltd., 4331 Manhattan Rd. S.E., Calgary, Alberta	of record and beneficial	500,000 (4)	30.86%	—	500,000	24.75%

(1) Calculated on the basis of there being 1,620,000 shares outstanding out of an authorized share capital of 5,000,000 shares.

(2) Calculated on the basis of there being 2,020,000 shares outstanding out of an authorized share capital of 5,000,000 shares

(3) Subject to a voting trust agreement dated June 13, 1969 and terminating on December 31, 1972 wherein Kendall Jennings is named as voting trustee with full rights to vote the said shares in his absolute discretion. Of these shares 280,000 are held by Alan Joel Antweil, 140,000 shares for 3 Sons Investments Ltd. and 140,000 shares for Kendall Jennings. Messrs. Jennings and Antweil have agreed to sell out of their holdings 27,500 shares each to certain employees of the Company, the sale and delivery of which will be effective after completion of the financing. Kendall Jennings is the holder of record and beneficially of 27 voting redeemable preference shares of 3 Sons Investments Ltd. and is in a controlling position in that Company.

(4) Alan Duane Waldie and his wife own in aggregate 315,924 shares of Western out of a total of 500,000 issued shares and on liquidation of that Company will be entitled to receive in the aggregate 315,924 shares of the Company issued to Western on purchase of its assets. Of the shares owned by Alan Duane Waldie and his wife 176,917 shares are owned by Alan Duane Waldie and as a result, if Western were to be liquidated before completion of the financing, he would own 176,917 shares of the Company representing 10.92%.

At the date hereof and on the assumption that the transactions involving the acquisition by the Company of the assets and undertaking of Western and the issued and outstanding shares of Bain Bros. and Alberta Paving have been completed, the Directors and senior officers (excluding Alan Duane Waldie) as a group owned or are deemed to own in the aggregate, beneficially, directly or indirectly, 326,666 shares of the Company representing 20.16% of all the shares then issued. Following the completion of this financing the Directors and senior officers (excluding Alan Duane Waldie) as a group will own in the aggregate, beneficially, directly or indirectly, 293,332 shares of the Company representing 14.52% of all the shares.

PRIOR SALES

Within the past twelve months 500,000 shares have been issued as consideration for the acquisition of all the assets and undertaking, subject to the liabilities and obligations, of Western and 560,000 common shares are to be issued concurrently with the closing of the sale of the shares hereby offered to acquire all of the issued and outstanding shares of Bain Bros. and Alberta Paving. Reference is made to the heading Interest of Management and Others in Material Transactions on page 7.

ESCROWED SHARES

By an escrow agreement dated June 13, 1969 the undernoted parties have agreed with each other, and Montreal Trust Company, as depositary, to escrow shares of the Company as follows:

Kendall Jennings as trustee and as an individual	429,250 shares
Leonard A. Bain	153,334 shares
Kenneth H. Bain	153,334 shares
Delmer Bain	153,332 shares
Alan Duane Waldie and Ann R. Waldie and Western Electronic Systems Ltd.	268,535 shares

Upon completion of this financing the escrowed shares will constitute 57.32% of the total issued and outstanding shares of the Company.

Pursuant to this escrow agreement 10% of the shares of each party may be released on December 31, 1969 and a further 10% every six months thereafter. The escrow agreement will terminate in any event on December 31, 1972. The shares remaining in escrow from time to time are subject to a voting trust whereby the same may be voted in accordance with the wishes of any two of Kendall Jennings, Delmar Bain and Alan Duane Waldie. Any release of shares from escrow will be subject to the consent of the Director of the Alberta Securities Commission. Reference is made to the heading Plan of Distribution on page 5.

OPTIONS TO PURCHASE SECURITIES

The Company proposes to set up an employee stock option plan for its key employees and it presently proposes to reserve 100,000 shares for this purpose to be sold at a price of not less than \$5.00 per share with respect to options granted within 120 days of the sale of the shares offered hereby and thereafter at a price per share not less than 90% of the market price at the date of granting.

Pursuant to the Underwriting Agreement, the Company has agreed to grant the Underwriter an option to purchase up to 100,000 shares of the Company at a price of \$5.00 per share. Reference is made to the heading Plan of Distribution on page 5.

MATERIAL CONTRACTS

Particulars regarding material contracts entered into by the Company and the Selling Shareholders within the two years preceding the date hereof, other than contracts in the ordinary course of the business, are as follows:

1. Underwriting agreement dated July 16, 1969, between Bongard, Leslie & Co. Ltd. and the Company referred to under the heading Plan of Distribution on page 5.
2. Underwriting agreement dated July 16, 1969, between Bongard, Leslie & Co. Ltd. and the Selling Shareholders referred to under the heading Plan of Distribution on page 5.
3. Agreement dated May 28, 1969 between Western and the Company relating to the acquisition of all the assets and undertaking, subject to the liabilities and obligations, of Western referred to under the heading Interest of Management and Others in Material Transactions on page 7.
4. Agreement dated May 29, 1969, as amended, between Leonard A. Bain, Kenneth H. Bain, Delmer Bain and the Company whereby the Company agreed to acquire all of the issued and outstanding shares of Bain Bros. and Alberta Paving referred to under the heading Interest of Management and Others in Material Transactions on page 7.
5. The four employment and management contracts dated June 13, 1969 made between the Company and Messrs. Jennings, Waldie, Bain and Boutwell, referred to under the heading Management of Company on page 6. The current annual amount payable under such contract in the aggregate is \$125,000.
6. Escrow agreement dated June 13, 1969 referred to under the heading Escrowed Shares on page 9.

Copies of the foregoing agreements may be inspected at the head office of the Company, Suite 404, 736 - 8th Avenue S.W., Calgary, Alberta, during ordinary business hours during the period of primary distribution of the shares hereby offered and for a period of 30 days thereafter.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Messrs. Riddell, Stead & Co., 407 - 8th Avenue S.W., Calgary, Alberta.

The Registrar and Transfer Agent for the shares of the Company will be Montreal Trust Company at its principal offices located in Calgary, Winnipeg, and Regina and the registers for the transfer of the shares will be kept at these offices.

AUDITORS' REPORT

To the Directors

Western Electronics & Engineering Ltd.

(formerly Jennings Drilling Company, Ltd.)

We have examined the balance sheet and pro-forma consolidated balance sheet of Western Electronics & Engineering Ltd. (formerly Jennings Drilling Company, Ltd.) (the company) as at March 31, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of other auditors who have examined the balance sheets of Bain Bros. Const. Ltd. and Alberta Paving & Construction Ltd. which are included in the pro-forma consolidated balance sheet of the company.

In our opinion:

- a) The accompanying balance sheet presents fairly the financial position of the company as at March 31, 1969;
- b) The accompanying pro-forma consolidated balance sheet presents fairly the financial position of the companies as at March 31, 1969, after giving effect to the changes set forth in Note 2;

all in accordance with generally accepted accounting principles applied on a consistent basis.

The accompanying pro-forma consolidated statements of earnings and retained earnings of Western Electronics & Engineering Ltd. and subsidiary companies for the five years and three months ended March 31, 1969 combine the related historical financial statements of the company, Jennings International Drilling Ltd., Western Electronic Systems Ltd., Bain Bros. Const. Ltd. and Alberta Paving & Construction Ltd. The historical statements of earnings and retained earnings of Western Electronic Systems Ltd. have been examined by us, and those of Western Electronics & Engineering Ltd. (formerly Jennings Drilling Company, Ltd.), Jennings International Drilling Ltd., Bain Bros. Const. Ltd. and Alberta Paving & Construction Ltd. have been examined by other auditors, as set forth in their reports included elsewhere in this prospectus. In our opinion, the amounts included in such pro-forma consolidated statements of earnings and retained earnings have been properly compiled from the amounts in the underlying financial statements.

Calgary, Alberta
July 16, 1969

Riddell, Stead & Co.
Chartered Accountants

[formerly Jennings Drilling]

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The accompanying notes are an

& ENGINEERING LTD.

pany, Ltd. - Note 2(a)]

NSOLIDATED BALANCE SHEET

1, 1969

	LIABILITIES	Balance Sheet	Pro-Forma Consolidated Balance Sheet (Notes 1 and 2)
CURRENT LIABILITIES			
Bank indebtedness (Note 6)		\$ 501,534	\$ —
Accounts, payable and accrued		584,673	1,081,666
Current maturities of long-term debt		241,972	130,341
Income taxes		63,400	112,499
		<u>1,391,579</u>	<u>1,324,506</u>
LONG-TERM DEBT (Note 7)		319,241	319,241
DEFERRED INCOME TAXES		87,260	87,260
		<u>87,260</u>	<u>87,260</u>
SHAREHOLDERS' EQUITY			
CAPITAL STOCK			
Authorized			
Balance sheet			
20,000 common shares, par value \$1 each			
Pro-forma consolidated balance sheet			
5,000,000 common shares without nominal or par value			
Issued			
Balance sheet			
10,002 shares		10,002	—
Pro-forma consolidated balance sheet			
2,020,000 shares		—	2,349,059
RETAINED EARNINGS		250,437	523,188
		<u>260,439</u>	<u>2,872,247</u>
		<u>\$2,058,519</u>	<u>\$4,603,254</u>

part of this financial statement.

WESTERN ELECTRONICS & ENGINEERING LTD.

[formerly Jennings Drilling Company, Ltd. - Note 2(a)]

AND SUBSIDIARY COMPANIES (Note 1)

PRO-FORMA CONSOLIDATED STATEMENT OF EARNINGS FOR THE FIVE YEARS AND THREE MONTHS ENDED MARCH 31, 1969 [NOTE 8(a)]

	Year ended December 31					Three Months Ended March 31	
	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1968</u> [Note 8(c)] (Unaudited)	<u>1969</u> [Note 8(c)]
REVENUE							
Electronics manufacturing and sales	\$ —	\$ 235,080	\$ 811,589	\$ 862,020	\$1,151,744	\$ 139,480	\$ 309,289
Contract drilling	2,326,139	2,245,032	3,136,635	2,725,387	3,116,553	1,197,562	1,088,054
Earthmoving and bulldozing ..	457,463	602,463	773,334	1,360,226	640,627	331,865	406,097
Petroleum and natural gas	23,133	45,557	50,780	37,992	55,163	12,698	12,560
Miscellaneous	29,646	32,142	25,797	46,753	119,293	3,354	46,136
	<u>2,836,381</u>	<u>3,160,274</u>	<u>4,798,135</u>	<u>5,032,378</u>	<u>5,083,380</u>	<u>1,684,959</u>	<u>1,862,136</u>
EXPENSES							
Sales, manufacturing and direct contract costs	2,107,029	2,401,167	3,642,296	3,871,630	4,095,162	1,140,644	1,354,498
Petroleum and natural gas production expense	17,276	29,338	33,658	18,073	33,291	4,540	9,900
General and administrative	280,280	348,759	428,268	449,877	440,135	92,578	98,431
Dry holes and abandonments ..	—	8,947	298	46,442	34,578	—	—
Depreciation	249,045	260,311	299,001	295,726	266,656	84,818	52,086
Depletion	2,378	3,055	2,347	1,871	10,329	2,163	2,205
Interest on long-term debt	46,393	35,123	57,899	45,660	58,186	12,007	11,276
Other interest	9,235	22,614	28,423	27,673	33,926	6,660	5,074
Provision for income taxes							
Current	6,069	6,028	64,484	91,765	32,895	159,740	111,988
Deferred	27,300	16,012	57,648	22,271	(5,574)	1,100	7,860
	<u>2,745,005</u>	<u>3,131,354</u>	<u>4,614,322</u>	<u>4,870,988</u>	<u>4,999,584</u>	<u>1,504,250</u>	<u>1,653,318</u>
NET EARNINGS BEFORE EXTRAORDINARY ITEMS							
	<u>91,376</u>	<u>28,920</u>	<u>183,813</u>	<u>161,390</u>	<u>83,796</u>	<u>180,709</u>	<u>208,818</u>
Extraordinary items (Note 8(b))	—	25,508	3,587	111,057	17,115	—	—
NET EARNINGS FOR THE PERIOD							
	<u>\$ 91,376</u>	<u>\$ 3,412</u>	<u>\$ 180,226</u>	<u>\$ 50,333</u>	<u>\$ 66,681</u>	<u>\$ 180,709</u>	<u>\$ 208,818</u>

The accompanying notes are an integral part of this financial statement.

WESTERN ELECTRONICS & ENGINEERING LTD.

[formerly Jennings Drilling Company, Ltd. - Note 2(a)]

AND SUBSIDIARY COMPANIES (Note 1)

PRO-FORMA CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE FIVE YEARS AND THREE MONTHS ENDED MARCH 31, 1969

	Year Ended December 31,					Three Months Ended March 31,	
	1964	1965	1966	1967	1968	1968 (Unaudited)	1969
BALANCE AT BEGINNING OF PERIOD	\$ 184,540	\$ 257,432	\$ 259,614	\$ 345,343	\$ 297,595	\$ 297,595	\$ 354,370
Net earnings for the period	91,376	3,412	180,226	50,333	66,681	180,709	208,818
Pro-forma earnings included above [Note 8(a)]	18,484	1,230	94,497	98,081	9,906	95,972	—
	72,892	2,182	85,729	(47,748)	56,775	84,737	208,818
Share issue expense	—	—	—	—	—	—	(40,000)
BALANCE AT END OF PERIOD ...	\$ 257,432	\$ 259,614	\$ 345,343	\$ 297,595	\$ 354,370	\$ 382,332	\$ 523,188

The accompanying notes are an integral part of this financial statement.

WESTERN ELECTRONICS & ENGINEERING LTD.

[formerly Jennings Drilling Company, Ltd. - Note 2(a)]

NOTES TO BALANCE SHEET

AND

PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUBSIDIARY COMPANIES

- Under the terms of an agreement dated May 28, 1969 the company acquired all the assets and undertakings of Western Electronic Systems Ltd. for a consideration of 500,000 new common shares [see Note 2(g)].
- Under the terms of an agreement dated May 29, 1969 the company acquired all the outstanding shares in the capital stock of Bain Bros. Const. Ltd. (Bain Bros.) and Alberta Paving & Construction Ltd. (Alberta Paving) for a consideration of 560,000 new common shares.

These transactions were accounted for as poolings of interests by crediting the stated capital and retained earnings of the acquired companies to the capital stock and retained earnings accounts of the company.

NOTE 2 PRO-FORMA CONSOLIDATED BALANCE SHEET

The pro-forma consolidated balance sheet is after giving effect, as at March 31, 1969, to the following transactions:

Re-organization of the Company

- Change of name from Jennings Drilling Company, Ltd. to Western Electronics & Engineering Ltd.
- Cancellation of two issued common shares, par value \$1 each, surrendered to the company by way of gift.
- Conversion and subdivision of the then outstanding 10,000 common shares, par value \$1 each, into 560,000 common shares without nominal or par value ("new common shares").
- Increase in the authorized capital stock of the company to 5,000,000 common shares without nominal or par value.

Re-organization of Western Electronic Systems Ltd.

- Conversion of \$81,000 7% subordinated convertible debentures of Western Electronic Systems Ltd., plus accrued interest into 76,626 common shares of that company.
- Exercise of employees' options to purchase 5,688 common shares of Western Electronics Systems Ltd. for \$6,250.

Acquisition of Businesses (Note 1)

	Number of Shares	Consideration
(g) Western Electronic Systems Ltd.	500,000	\$ 338,953
(h) Bain Bros. and Alberta Paving	560,000	106

Financing and Application of Proceeds

- (i) Issue, under the terms of an underwriting agreement dated July 16, 1969 of 400,000 new common shares of the company at \$5.00 per share
- | | |
|---------|-----------|
| 400,000 | 2,000,000 |
|---------|-----------|
- (j) The application of a portion of the proceeds of (i) above as follows:
- (i) The payment and charge to retained earnings of estimated share issue expenses of \$40,000.
- (ii) The retirement of debt (see Notes 6 and 7) as follows:

Western Electronics & Engineering Ltd.

Bank overdraft	\$ 241,534
Demand loan	260,000
6¼% Note payable	111,631

Western Electronic Systems Ltd.

Demand loan	100,000
6% Debentures	32,233
	<u>\$ 745,398</u>

NOTE 3 ACCOUNTING POLICY

For income tax purposes, the company and Western Electronic Systems Ltd. claim capital cost allowances in excess of the depreciation recorded in their accounts.

In prior years, the companies provided in their accounts only for the taxes payable on their taxable incomes. The companies have now adopted retroactively the policy of recording deferred income taxes arising from all timing differences between the amounts claimed for income tax purposes and the amounts recorded in the accounts.

NOTE 4 INVENTORIES

Inventories comprise the following:

	Balance Sheet	Pro-Forma Consolidated Balance Sheet
Work completed but not billed	\$ 100,005	\$ 100,005
Contract work in progress, at cost	—	87,822
Manufacturing materials, at cost	—	202,877
Other, at lower of cost or estimated realizable value	—	27,834
	<u>\$ 100,005</u>	<u>\$ 418,538</u>

NOTE 5 FIXED ASSETS

Fixed assets in the pro-forma consolidation balance sheet comprise the following.

	Cost	Accumulated Depreciation and Depletion	Net Book Value
Manufacturing, engineering and related equipment	\$ 62,719	\$ 19,407	\$ 43,312
Drilling and related plant and equipment	2,438,853	1,816,089	622,764
Earthmoving, bulldozing and related plant and equipment	988,001	895,274	92,727
Petroleum and natural gas properties, together with development and equipment thereon	338,836	45,670	293,166
	<u>\$3,828,409</u>	<u>\$2,776,440</u>	<u>\$1,051,969</u>

NOTE 6 BANK INDEBTEDNESS

	Balance Sheet	Pro-Forma Consolidated Balance Sheet [Note 2(j)]
Western Electronics & Engineering Ltd.		
Overdraft	\$ 241,534	—
Demand loan (see Note 7 for security)	260,000	—
Western Electronic Systems Ltd.		
Demand loan \$100,000 secured by a first floating charge on all assets and undertakings of the company, a general assignment of book debts and proceeds of fire insurance, and shareholders' guarantees and postponements of claims		
	<u>\$ 501,534</u>	<u>—</u>

NOTE 7 LONG-TERM DEBT

	Balance Sheet	Pro-Forma Consolidated Balance Sheet [Notes 2(e) and (j)]
Western Electronics & Engineering Ltd.		
Bank indebtedness (see also Note 6)	\$ 188,500	\$ 188,500
Notes payable		
6¼%, payable \$7,391 (U.S.) monthly, including interest, secured by mortgage on certain drilling equipment	111,631	—
8%, payable \$6,814 monthly commencing May, 1969, secured by chattel mortgage on certain drilling equipment	245,291	245,291
Other	15,791	15,791
Western Electronic Systems Ltd.		
6% Subordinated debenture payable in quarterly installments of \$6,447 each, principal \$32,233		
7% Subordinated Series "C" convertible debentures, principal \$81,000		
	<u>561,213</u>	<u>449,582</u>
Less current maturities	<u>241,972</u>	<u>130,341</u>
	<u>\$ 319,241</u>	<u>\$ 319,241</u>

Although the \$188,500 bank loan of Western Electronics & Engineering Ltd. is subject to call on demand, under the agreed terms of repayment \$3,300 is repayable monthly. All bank indebtedness of Western Electronics & Engineering Ltd. is secured by an assignment of that company's interest in certain oil and gas properties under Section 82 of the Bank Act and a general assignment of that company's book debts.

Western Electronics & Engineering Ltd. propose to retire the 6¼% note payable in 1969 — see Note 2(j). Accordingly, the whole of the principal amount has been included in the calculation of current maturities of long-term debt.

The 7% Series "C" debentures of Western Electronic Systems Ltd. are secured by a fixed and floating charge on all assets of that company subordinate to its bank indebtedness and its 6% debentures. Subsequent to March 31, 1969, they were converted into common shares — see Note 2(e).

Western Electronic Systems Ltd. is obligated under a lease expiring on June 30, 1970 covering manufacturing facilities to pay a monthly rental of \$1,120, subject to the usual escalation clause to cover increased realty taxes.

NOTE 8 PRO-FORMA CONSOLIDATED STATEMENT OF EARNINGS

- (a) The pro-forma consolidated statement of earnings includes the earnings of the continuing activities of the companies as follows:
- (i) **Western Electronics & Engineering Ltd. and Bain Bros.** — Historical and pro-forma earnings (see below) for the years ended December 31, 1964 to 1968 and for the three months ended March 31, 1968 and 1969;
 - (ii) **Western Electronic Systems Ltd.** — earnings for the period from June 15, 1965 (date of commencement of operations) to January 31, 1966, for the years ended January 31, 1967 to 1969 and for the two months ended March 31, 1968 and 1969, included with the pro-forma consolidated earnings for the years ended December 31, 1965 to 1968, and for three months ended March 31, 1968 and 1969 respectively;

- (iii) **Alberta Paving** — earnings (relatively insignificant) for the years ended April 30, 1964 to 1968 and the eleven months ended March 31, 1968 and 1969, included with the earnings for the years ended December 31, 1964 to 1968 and the three months ended March 31, 1968 and 1969 respectively.

Certain of the operations which are intended to be carried on as part of the continuing activities of the companies were, in the past, carried on in the name of Bain Bros. Alta. Ltd. and Bain Bros. Equipment Co. (which entities are affiliated with Bain Bros. Const. Ltd.) and in the name of Jennings International Drilling Ltd. (which company is affiliated with Western Electronics & Engineering Ltd.). Revenues and expenses of such operations have been reflected, on a pro-forma basis, as they would have appeared had they been part of the operations of Bain Bros. and Western Electronics & Engineering Ltd., respectively, for the periods.

- (b) The extraordinary items in the pro-forma consolidated statement of earnings consist of the following:

	Year ended December 31,			
	1965	1966	1967	1968
Past service pension plan cost	\$ —	\$ —	\$ 60,427*	\$ —
Write-down of inventory and equipment	25,508*	3,587*	4,299*	18,404*
Write-off of accounts receivable	—	—	102,514	—
Gain on sale of investments	—	—	(56,183)	(4,131)
Bond issue expense	—	—	—	2,842*
	<u>\$ 25,508</u>	<u>\$ 3,587</u>	<u>\$ 111,057</u>	<u>\$ 17,115</u>

* Net of tax effect

- (c) The operations of the companies are, in part, subject to seasonal fluctuations. Hence the consolidated earnings for the three months' periods ended March 31, 1968 and 1969 may not be indicative of a full year's earnings.

During the three months ended March 31, 1969, Western Electronics & Engineering Ltd. disposed of assets having a carrying value of \$313,550 and realized a profit of \$28,445.

NOTE 9 SUBSEQUENT EVENTS

Subsequent to March 31, 1969, the companies consummated the transactions as outlined in Notes 2(a) to (h).

Reference is made to the underwriting agreement outlined in Note 2(i) under the terms of which the company has agreed to issue 400,000 new common shares of the company at \$5.00 per share, and has agreed to grant an option to the underwriter to purchase up to an additional 100,000 new common shares at \$5.00 per share for a period of 90 days from the date of this prospectus.

WESTERN ELECTRONICS & ENGINEERING LTD.

(formerly Jennings Drilling Company, Ltd.)

AND JENNINGS INTERNATIONAL DRILLING LTD.

COMBINED STATEMENT OF EARNINGS (Note 1)

	Year Ended December 31,					Three Months Ended March 31,	
	1964	1965	1966	1967	1968	1968	1969
						(Unaudited)	(Note 3)
REVENUE							
Contract drilling	\$2,326,139	\$2,245,032	\$3,136,635	\$2,725,387	\$3,116,553	\$1,197,562	\$1,088,054
Petroleum and natural gas	23,133	45,557	50,780	37,992	55,163	12,698	12,560
Miscellaneous (Note 4)	32,146	28,995	33,703	46,753	40,658	3,354	36,386
	<u>2,381,418</u>	<u>2,319,584</u>	<u>3,221,118</u>	<u>2,810,132</u>	<u>3,212,374</u>	<u>1,213,614</u>	<u>1,137,000</u>
EXPENSES							
Direct contract costs exclusive of depreciation	1,790,651	1,733,656	2,460,807	2,136,026	2,658,612	869,541	818,519
Petroleum and natural gas production expense	17,276	29,338	33,658	18,073	33,291	4,540	9,900
General and administrative	215,779	268,621	312,358	265,441	261,886	55,614	52,349
Dry holes and abandonments	—	8,947	298	46,442	34,578	—	—
Depreciation	201,363	185,865	209,663	207,559	185,931	69,317	40,120
Depletion	2,378	3,055	2,347	1,871	10,329	2,163	2,205
Interest on long-term debt	46,393	32,717	53,847	38,512	42,257	11,427	10,019
Other interest	9,235	14,510	14,070	16,832	26,709	5,263	3,723
Income taxes - current	—	—	6,936	—	—	96,000	63,400
- deferred (Note 2)	27,300	21,850	48,300	24,800	(18,650)	1,100	7,860
	<u>2,310,375</u>	<u>2,298,559</u>	<u>3,142,284</u>	<u>2,755,556</u>	<u>3,234,943</u>	<u>1,114,965</u>	<u>1,008,095</u>
NET EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM	71,043	21,025	78,834	54,576	(22,569)	98,649	128,905
Extraordinary item	—	—	—	102,514	—	—	—
NET EARNINGS (LOSS) FOR THE PERIOD	\$ 71,043	\$ 21,025	\$ 78,834	\$ (47,938)	\$ (22,569)	\$ 98,649	\$ 128,905

COMBINED STATEMENT OF RETAINED EARNINGS

	Year Ended December 31,					Three Months Ended March 31,	
	1964	1965	1966	1967	1968	1968	1969
						(Unaudited)	
BALANCE AT BEGINNING OF PERIOD	\$ 47,304	\$ 118,347	\$ 141,525	\$ 193,667	\$ 127,916	\$ 127,916	\$ 121,532
Net earnings (loss) per combined statement of earnings	71,043	21,025	78,834	(47,938)	(22,569)	98,649	128,905
Pro-forma earnings (loss) (Note 1)	—	(2,153)	26,692	17,813	(16,185)	(5,926)	—
	<u>71,043</u>	<u>23,178</u>	<u>52,142</u>	<u>(65,751)</u>	<u>(6,384)</u>	<u>104,575</u>	<u>128,905</u>
BALANCE AT END OF PERIOD	\$ 118,347	\$ 141,525	\$ 193,667	\$ 127,916	\$ 121,532	\$ 232,491	\$ 250,437

WESTERN ELECTRONICS & ENGINEERING LTD.

(formerly Jennings Drilling Company, Ltd.)

NOTES TO FINANCIAL STATEMENTS

1. The combined statement of earnings includes the operations of Western Electronics & Engineering Ltd. (formerly Jennings Drilling Company, Ltd.) and Jennings International Drilling Ltd. (since November, 1965 being the commencement of operations of this company). Since the operations of Jennings International Drilling Ltd. are intended to be part of the continuing activities of Western Electronics & Engineering Ltd., and as a result of acquiring on January 1, 1969 the fixed assets of Jennings International Drilling Ltd., the revenue and expenses of such operations have been included on a combined basis.

Since the combined statement of retained earnings includes the operating results of Jennings International Drilling Ltd., as referred to above, adjustments have been made thereto so that the balance at December 31, 1968 agrees with that reported in the balance sheet of Western Electronics & Engineering Ltd. as at that date.

2. Prior to the year ended December 31, 1968 the company used the taxes payable basis for accounting for income taxes. During 1968 the company adopted, retroactively, the tax allocation basis and accordingly, the previously reported net earnings have been adjusted to reflect this change in accounting. The following sets out the net earnings under the two methods:

	<u>Tax Payable Basis</u>	<u>Tax Allocation Basis</u>
1964	\$ 98,343	\$ 71,043
1965	47,178	23,178
1966	73,642	52,142
1967	(58,751)	(65,751)
1968	(8,784)	(6,384)
Three months ended March 31, 1968 (unaudited)	111,575	104,575

The company has claimed capital cost allowances, lease acquisition, exploration and drilling costs in excess of the related depreciation and depletion recorded in its accounts. The deferred income taxes resulting from the foregoing are set out in the accompanying combined statement of earnings and at March 31, 1969 amount in the aggregate to \$87,260.

3. Due to the type of operations conducted by the company, the statements of earnings for the three months ended March 31, 1968 and 1969 are not necessarily indicative of the operations on an annual basis.
4. During the three months ended March 31, 1969 the company disposed of assets having a carrying value of \$313,550 and realized a profit of \$28,445.

AUDITORS' REPORT

To the Directors
Western Electronics & Engineering Ltd.
(formerly Jennings Drilling Company, Ltd.)

We have examined the combined statements of earnings and retained earnings of Western Electronics & Engineering Ltd. (formerly Jennings Drilling Company, Ltd.) for the five years and three months ended March 31, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying combined statements of earnings and retained earnings present fairly the combined results of operations of Western Electronics & Engineering Ltd. (formerly Jennings Drilling Company, Ltd.) and Jennings Drilling International Ltd. for the five years ended December 31, 1968 on the basis set out in Note 1 to the financial statements and of Western Electronics & Engineering Ltd. (formerly Jennings Drilling Company, Ltd.) for the three months ended March 31, 1969, in accordance with generally accepted accounting principles applied on a consistent basis as restated (Note 2).

Calgary, Alberta
July 16, 1969.

Peat, Marwick, Mitchell & Co.
Chartered Accountants

WESTERN ELECTRONIC SYSTEMS LTD.

STATEMENT OF EARNINGS AND RETAINED EARNINGS

for the Period from June 15, 1965 (date of commencement of operations)
to March 31, 1969

	June 15, 1965 to January 31,	Year Ended January 31,			Two Months Ended March 31,	
	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1968</u>	<u>1969</u>
					(Unaudited)	
REVENUE						
Electronics manufacturing and sales	\$ 235,080	\$ 811,589	\$ 862,020	\$1,151,744	\$ 139,480	\$ 309,289
Miscellaneous	3,147	—	—	73,615	—	9,750
	<u>238,227</u>	<u>811,589</u>	<u>862,020</u>	<u>1,225,359</u>	<u>139,480</u>	<u>319,039</u>
EXPENSES						
Sales, manufacturing and direct contract costs	223,689	696,006	776,593	1,062,519	130,157	277,834
General and administrative	21,586	47,357	70,294	70,510	9,930	13,443
Depreciation	2,810	6,263	5,819	7,684	826	2,022
Interest on long-term debt	2,406	4,052	7,148	15,929	580	1,257
Other interest	8,104	14,353	10,841	7,217	1,397	1,351
Income tax (credit)	(5,838)	9,348	(2,529)	13,076	(715)	4,858
	<u>252,757</u>	<u>777,379</u>	<u>868,166</u>	<u>1,176,935</u>	<u>142,175</u>	<u>300,765</u>
NET EARNINGS (LOSS)						
BEFORE EXTRAORDINARY ITEMS	(14,530)	34,210	(6,146)	48,424	(2,695)	18,274
Extraordinary items						
Write down of inventory and equipment, net of tax effect	(25,508)	(3,587)	(4,299)	(18,404)	—	—
Gain on sale of investments	—	—	56,183	4,131	—	—
Bond issue expense, net of tax effect	—	—	—	(2,842)	—	—
NET EARNINGS (LOSS) FOR THE PERIOD	(40,038)	30,623	45,738	31,309	(2,695)	18,274
Retained earnings (deficit) at beginning of period	—	(40,038)	(9,415)	36,323	36,323	67,632
RETAINED EARNINGS (DEFICIT) AT END OF PERIOD	<u>\$ (40,038)</u>	<u>\$ (9,415)</u>	<u>\$ 36,323</u>	<u>\$ 67,632</u>	<u>\$ 33,628</u>	<u>\$ 85,906</u>

AUDITORS' REPORT

To the Directors
Western Electronic Systems Ltd.

We have examined the statement of earnings and retained earnings of Western Electronic Systems Ltd. for the period from June 15, 1965 (date of commencement of operations) to March 31, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying statement of earnings and retained earnings presents fairly the results of operations of the company for the periods indicated in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Alberta
July 16, 1969

Riddell, Stead & Co.
Chartered Accountants

BAIN BROS. CONST. LTD. AND AFFILIATED ENTITIES (NOTE 1)

COMBINED STATEMENT OF EARNINGS

	Year Ended December 31,					Three Months Ended March 31,	
	1964	1965	1966	1967	1968	1968	1969
						(Unaudited)	
REVENUE							
Earthmoving and bulldozing . . .	\$ 457,463	\$ 602,463	\$ 773,334	\$1,360,226	\$ 640,627	\$ 331,865	\$ 406,097
EXPENSES							
Direct contract costs	316,378	443,822	485,483	959,011	374,031	140,946	258,145
General and administrative	64,501	58,552	68,553	114,142	107,739	27,034	32,639
Depreciation	47,682	71,636	83,075	82,348	73,041	14,675	9,944
Income taxes (Note 2)	6,069	6,028	57,548	91,765	32,895	64,455	43,730
	434,630	580,038	694,659	1,247,266	587,706	247,110	344,458
NET EARNINGS BEFORE EXTRAORDINARY ITEMS	22,833	22,425	78,675	112,960	52,921	84,755	61,639
Extraordinary items (Note 3)	2,500	—	7,906	60,427	(5,020)	—	—
NET EARNINGS	\$ 20,333	\$ 22,425	\$ 70,769	\$ 52,533	\$ 57,941	\$ 84,755	\$ 61,639

COMBINED STATEMENT OF RETAINED EARNINGS

	Year Ended December 31,					Three Months Ended March 31,	
	1964	1965	1966	1967	1968	1968	1969
						(Unaudited)	
BALANCE AT BEGINNING OF PERIOD	\$ 137,236	\$ 139,085	\$ 158,127	\$ 161,091	\$ 133,356	\$ 133,356	\$ 165,206
Combined net earnings for the period	20,333	22,425	70,769	52,533	57,941	84,755	61,639
Pro-forma earnings included above (Note 1)	18,484	3,383	67,805	80,268	26,091	101,898	—
	1,849	19,042	2,964	(27,735)	31,850	(17,143)	61,639
BALANCE AT END OF PERIOD	\$ 139,085	\$ 158,127	\$ 161,091	\$ 133,356	\$ 165,206	\$ 116,213	\$ 226,845

The accompanying notes are an integral part of these financial statements.

AUDITORS' REPORT

To the Directors
Bain Bros. Const. Ltd.

We have examined the combined statements of earnings and retained earnings of Bain Bros. Const. Ltd. and affiliated entities for the five years and three months ended March 31, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying combined statements of earnings and retained earnings with the notes thereto, present fairly the combined results of operations of Bain Bros. Const. Ltd. and affiliated entities for the five years and three months ended March 31, 1969, in accordance with generally accepted accounting principles applied on a consistent basis.

Edmonton, Alberta
July 16, 1969

B. C. Tanner & Co.
Chartered Accountants

BAIN BROS. CONST. LTD. AND AFFILIATED ENTITIES

NOTES TO COMBINED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

1. ACCOUNTING PRESENTATION

The combined statement of earnings for the five years and three months ended March 31, 1969 reflects the operations (to be carried on by the continuing entity) of Bain Bros. Const. Ltd. and its affiliated entities, Alberta Paving & Construction Ltd., Bain Bros. Alta. Ltd and Bain Bros. Equipment Co., a partnership. Revenues and expenses of the operations previously carried on by Bain Bros. Alta. Ltd. and Bain Bros. Equipment Co. have been reflected on a pro-forma basis.

2. INCOME TAXES

Income taxes have been reflected in the combined statement of earnings to show, approximately, the taxes that would have been payable had the operations been carried on by one limited company for the five years and three months ended March 31, 1969.

3. EXTRAORDINARY ITEMS

The extraordinary items in the combined statements of earnings consist of the following:

	Year Ended December 31,			
	1964	1966	1967	1968
Past-service pension plan cost (net of tax effect)	\$ —	\$ —	\$60,427	\$ —
Write-off of loans receivable	2,500	3,600	—	—
Loss (gain) on sale of assets	—	4,306	—	(5,020)
	<u>\$ 2,500</u>	<u>\$ 7,906</u>	<u>\$60,427</u>	<u>\$(5,020)</u>

PURCHASER'S STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Sections 63 and 64 of The Securities Act, 1968 (Manitoba), Sections 63 and 64 of The Securities Act, 1967 (Alberta) and Sections 70 and 71 of The Securities Act, 1967 (Saskatchewan) provide, in effect, that where a security is offered to the public in the course of primary distribution:

- (a) a purchaser has the right to withdraw from a contract for the purchase of such security if written or telegraphic notice evidencing the intention of the purchaser not to be bound by such contract is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by the purchaser or his agent; and
- (b) a purchaser has the right to rescind a contract for the purchase of such security while still the owner thereof by commencing an action within 90 days from the date of such contract or the date on which the prospectus or amended prospectus is received or deemed to be received by the purchaser or his agent, whichever is later, if such prospectus, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made.

Reference is made to the said Acts for the complete text of the provisions under which the foregoing rights are conferred.

CERTIFICATE OF THE COMPANY

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, and by Part VII of The Securities Act, 1968 (Manitoba) and the regulations thereunder.

Dated July 16, 1969

(Signed) Kendall Jennings
Chief Executive Officer

(Signed) Alan Duane Waldie
Chief Financial Officer

Approved on behalf of the Board of Directors

DIRECTORS

(Signed) Kendall Jennings

(Signed) Delmer Bain

(Signed) Alan Duane Waldie

(Signed) Patrick Joseph McCaffery

(Signed) Donald Charles Boutwell

CERTIFICATE OF THE UNDERWRITER

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder and by Part VII of The Securities Act, 1968 (Manitoba) and the regulation thereunder.

Dated July 16, 1969

BONGARD, LESLIE & CO. LTD.

Per: (Signed) W. R. Taprell

The following includes the name of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of Bongard, Leslie & Co. Ltd.: Gordon R. Bongard, Strachan K. Bongard, Forrest W. Graham and Reed R. Johnston.

NOTE 2—FIXED ASSETS

Fixed assets comprise:

	<u>Cost</u>	<u>Depreciation & Depletion</u>	<u>Net</u>
Manufacturing, engineering, and related equipment	\$ 70,581	\$ 23,053	\$ 47,528
Drilling and related equipment	2,529,645	1,830,601	699,044
Geophysical and related equipment	2,038,308	595,220	1,443,088
Earthmoving and related equipment	1,029,990	915,457	114,533
Petroleum and natural gas properties, with development and equipment thereon	451,116	53,633	397,483
	<u>\$6,119,640</u>	<u>\$3,417,964</u>	<u>\$2,701,676</u>

NOTE 3—LONG-TERM DEBT

Long-Term debt comprises:

8% Debenture, secured by a floating charge on the assets and undertaking of Northern, payable on demand	\$ 48,000
Oil and gas production loan, secured by an assignment of the Company's interest in certain oil and gas properties pursuant to Section 82 of the Bank Act, repayable by monthly instalments of \$3,300	168,700
Chattel mortgages, secured on certain drilling equipment, payable in 30 monthly instal- ments of \$6,814 with interest at 8%	211,223
Chattel mortgages, secured on certain geophysical equipment, payable in varying terms not exceeding two years from the date of purchase of the equipment	592,451
Promissory notes payable in five equal instalments of \$100,000 on April 1st in each of the years 1970 to 1974 with interest at 8% on the balance of principal unpaid after October 15, 1972	500,000
	<u>1,520,374</u>
Less current maturities	622,469
	<u>\$ 897,905</u>

NOTE 4—CAPITAL STOCK

The following transactions in the capital stock of the Company have taken place in the nine-month period ended September 30, 1969:

<u>Date</u>		<u>Number of Shares</u>	<u>Consideration</u>
January 1, 1969	Shares outstanding	10,002	\$ 10,002
May 26, 1969	Surrender to the Company by gift	(2)	(2)
	Subdivision	<u>560,000</u>	<u>10,000</u>
May 28, 1969	Acquisition of Western	500,000	338,953
May 29, 1969	Acquisition of Bain and Alberta Paving	560,000	106
July 16, 1969	Public offering	400,000	2,000,000
October 22, 1969	Acquisition of Northern	550,000	2,310,000
		<u>2,570,000</u>	<u>\$4,659,059</u>

WESTERN ELECTRONICS & ENGINEERING LTD.
AND SUBSIDIARY COMPANIES (Note 1)
COMBINED STATEMENT OF EARNINGS FOR THE
THREE YEARS ENDED DECEMBER 31, 1968 (Note 2)

					Year ended December 31.		
					1966	1967	1968
REVENUE							
Electronics, manufacturing and sales	....	....	....		\$ 811,589	\$ 862,020	\$1,151,744
Contract drilling	....	....	....	....	3,136,635	2,725,387	3,116,553
Contract geophysical work	....	....	....	....	358,486	2,702,766	3,637,643
Earth moving and bulldozing	....	....	....	....	773,334	1,360,226	640,627
Petroleum and natural gas	....	....	....	....	50,780	37,992	55,163
Miscellaneous	....	....	....	....	25,797	46,753	119,293
					<u>5,156,621</u>	<u>7,735,144</u>	<u>8,721,023</u>
EXPENSES							
Sales, manufacturing and direct contract costs	....	....			3,849,639	5,406,594	6,225,377
Petroleum and natural gas production expense	....	....			33,658	18,073	33,291
General and administrative (Note 3)	....	....	....		461,889	1,458,015	828,353
Dry holes and abandonments	....	....	....	....	298	46,442	34,578
Depreciation	....	....	....	....	372,219	650,826	717,456
Depletion	....	....	....	....	2,347	1,871	10,329
Interest on long-term debt	....	....	....	....	57,899	45,660	58,186
Other interest	....	....	....	....	41,214	90,380	127,018
Provision for income taxes							
Current	....	....	....	....	71,102	(14,575)	318,279
Deferred	....	....	....	....	57,648	22,271	(5,574)
					<u>4,947,913</u>	<u>7,725,557</u>	<u>8,347,293</u>
NET EARNINGS BEFORE EXTRAORDINARY ITEMS					208,708	9,587	373,730
Extraordinary items (Note 4)	....	....	....	....	3,587	111,057	17,115
NET EARNINGS (LOSS) FOR THE PERIOD					<u>\$ 205,121</u>	<u>\$ (101,470)</u>	<u>\$ 356,615</u>

WESTERN ELECTRONICS & ENGINEERING LTD.
NOTES TO COMBINED STATEMENT OF EARNINGS

NOTE 1—SUBSIDIARY COMPANIES

- (a) Under the terms of an agreement dated May 28 and 29, 1969, the Company acquired all the assets and undertakings of Western Electronic Systems Ltd., and all the outstanding shares of Bain Bros. Const. Ltd., and Alberta Paving & Construction Ltd. These transactions were accounted for on the pooling of interests basis.
- (b) Under the terms of an agreement dated October 22, 1969, the Company acquired all the outstanding shares of Northern Geophysical Ltd. This transaction was accounted for as a purchase. Amortization of excess of cost of purchase over underlying net assets is estimated not to exceed \$70,000 for each of the next seven years.

It is the Company's intention to continue the operations of each of the acquired companies in substantially the same manner and under the same management as previously.

NOTE 2—COMBINED STATEMENT OF EARNINGS

The combined statement of earnings includes the earnings of the continuing activities of the pooled companies as follows:

- (i) Western Electronics & Engineering Ltd. (formerly Jennings Drilling Company, Ltd.) and Bain Bros. Const. Ltd.—Historical earnings for the years ended December 31, 1966 to 1968;
- (ii) Western Electronic Systems Ltd.—Historical earnings for the years ended January 31, 1967 to 1969, included with the pro-forma combined earnings for the years ended December 31, 1966 to 1968;
- (iii) Alberta Paving & Construction Ltd.—Historical earnings (relatively insignificant) for the years ended April 30, 1966 to 1968, included with the pro-forma combined earnings for the years ended December 31, 1966 to 1968;

together with the historical earnings of Northern Geophysical Ltd. for the period October 1, 1966 (commencement of operations), to January 31, 1967, and for the years ended January 31, 1967 and 1968, combined with the earnings of the pooled companies for the years ended December 31, 1966 to 1968.

Certain prior years' adjustments and income tax reductions in respect of losses have been reflected in the years to which they apply or in which the losses were incurred.

NOTE 3—GENERAL AND ADMINISTRATIVE EXPENSES

Included in the general and administrative expenses for the year ended December 31, 1967, is a bad debt in the amount of \$803,653.

NOTE 4—EXTRAORDINARY ITEMS

The extraordinary items in the combined statement of earnings comprise:

	Year ended December 31,		
	1966	1967	1968
Past service pension plan cost	\$ —	\$ 60,427*	\$ —
Write-down of inventory and equipment	3,587*	4,299*	18,404*
Write-off of accounts receivable	—	102,514	—
Gain on sale of investments	—	(56,183)	(4,131)
Bond issue expense	—	—	2,842*
	<u>\$3,587</u>	<u>\$111,057</u>	<u>\$17,115</u>

* Net of tax effect

